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SUBJECT: ARGENTINA: FARMERS' STRIKE SPREADS TO THE CITIES
AFTER INCENDIARY CFK SPEECH

REF: A. BUENOS AIRES 368

[1](#)B. BUENOS AIRES 328

Classified By: Ambassador E. Anthony Wayne for reasons 1.4(d)

[1](#)1. 1. (C) Summary: In her toughest domestic test to date, President Christina Fernandez de Kirchner (CFK) turned up the temperature on March 25 in the two-week old confrontation with Argentina's rural sector over increased export taxes. In her first public comments on the strike, CFK denounced the rural protests (ref a) as "extortion" carried about by "picketers of abundance." Her comments seem to have backfired, as they were immediately followed by pot-banging demonstrations in support of the strike in Buenos Aires and other cities by thousands expressing support for the farm sector. These "cacerolazos," the first seen in Argentina in years, called to mind the 2001 protests that brought the de la Rúa government to its knees. In response, leftist social groups allied with the government mobilized to confront demonstrators, provoking violent incidents in Buenos Aires' Plaza de Mayo and other cities. Opposition leaders, the Catholic Church, and some governors and mayors (including some allied with the GOA) have called for dialogue, but the Kirchner government says it will not talk until the roadblocks end. The extraordinary developments of the past 24 hours -- which take place during an unprecedented economic boom -- suggest that the stakes for the Kirchner government's future are very high. The GOA's aggressive counter-attack is straight out of the Kirchner playbook, and has served CFK and her husband Nestor well in the past. Many observers question whether it will work this time, however, as CFK's sharp rhetoric and violent attacks by government supporters on peaceful protestors run the risk of unifying the previously inchoate opposition and giving voice to growing discontent in both the middle-class dominated cities and the Argentine countryside. End Summary.

CFK Speech Sends Opposing Forces Into the Streets

[1](#)2. (SBU) The two-week old agricultural strike over increased export taxes (reftel) has become the biggest domestic crisis faced by the new CFK administration, and some are arguing that is the most serious challenge that either Kirchner has faced as president. Late on March 25, amidst reports of emptying shelves in grocery stores around the country and continued roadblocks throughout the Argentine interior, CFK delivered a nationally televised address in which she vowed to resist the protestors' "extortion." She contrasted these

"protests of abundance" unfavorably with the multiple protests in 2001 and 2002 of unemployed and destitute Argentines. She listed government policies benefiting the rural agricultural sector, including the maintenance of an undervalued exchange rate (which increases the local currency return to farmers from dollar-priced commodity exports), a cap on diesel fuel prices, and other subsidies supported by Argentine taxpayers.

13. (SBU) The reaction to CFK's fighting words was immediate and extraordinary. In the countryside, farm sector leaders immediately called for an extension of the (already extensive) road blockages. What was less predictable was what happened in several Argentine cities, where spontaneous protests took place in the speech's immediate aftermath. In upper- and middle-class neighborhoods throughout Buenos Aires and its wealthier suburbs, for example, thousands streamed into the streets and onto their balconies beating pots and pans ("cacerolazos"). A group of several thousand converged on the city's central gathering point, the Plaza de Mayo, and another large group of protestors converged on the Presidential compound in Los Olivos. While peaceful, these demonstrations conveyed clear support for the farm sector and rejection of the government's tough stand.

Pro-Government Counter-Attack

14. (SBU) A counter-attack to "retake the streets" soon followed. Government-allied "piqueteros" mobilized in Buenos Aires and other cities to confront the pro-farmer demonstrations. Prominent piquetero leader and former GOA official Luis D'Elia led his group to Plaza de Mayo to "retake" the Plaza. There were several violent incidents, including televised footage of D'Elia hitting an individual

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in the face and an assault on a prominent journalist critical of the Kirchner government. Confrontations were reported in Argentina's second and third largest cities of Cordoba and Rosario as well.

15. (SBU) Former president Nestor Kirchner has called for a rally on March 26 to support the government and criticize the ongoing strike and road blockages. Pro-government governors and mayors will likely be convoked. Another government ally playing a prominent role in the dispute is Hugo Moyano, Secretary General of the umbrella union federation CGT and a

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key Kirchner political ally. Moyano, who has a reputation for aggression and running his union with an iron fist, dispatched a convoy of 200 truckers on Easter Sunday to "open" a roadblock in Entre Rios province, but a confrontation was averted when the protestors retreated to another location on March 24.) Fearing the potential for escalating violence, the Catholic Church, opposition leaders, and even some governors and mayors allied with the government are calling for dialogue.

Private Sector Views

16. (SBU) During a lunch for CODEL Shelby (septel) on March 25, private sector analysts told the Ambassador that the agricultural strike is the worst crisis the government has faced since 2003. They noted that the farming community is not unionized, and contains widely divergent views. Larger, commercial landholders tend to be more efficient and continue to earn profits despite higher export taxes. Smaller, less efficient farmers are the main force behind the strike, because their livelihood is potentially threatened by the GoA's steady escalation of export taxes. Because the rural area is not organized, and responsibility for directing the strike is diffuse, the GOA is having difficulty influencing the situation, in contrast to the decisive mediation role it

usually plays in such situations.

¶17. (SBU) Furthermore, the farmers -- especially the smaller ones -- are extremely angry (this latest increase was the proverbial last straw), and the GOA's decision to use truckers and other supporters as shock troops to break up the strike only radicalized the situation, increasing the potential for violence. One private sector representative speculated that the GOA will most likely be forced to roll back the recent export tax increases, or at least try to create a dual system that differentiates between large and small producers.

¶18. (SBU) These contacts also noted that the original justification for the export taxes in Argentina was to balance the beneficial impact to exporters of the GOA's maintenance of a competitive exchange rate for the peso. The competitive peso allows exporting farmers to obtain large profits due to high world commodity prices, and the taxes enable the GOA to subsidize other sectors (and consumers), thereby sharing the benefits with all of society. However, the GOA is not taking into account the large increases in ag sector production costs, due partly to local inflation and to the fact that most ag inputs are imported. Therefore, the farm sector -- particularly small farmers -- is being squeezed despite the apparent boom.

¶19. (C) A prominent TV journalist and a media mogul told the Ambassador March 26 that, in their view, CFK's sophisticated, statistics-riddled speech went over the heads of most Argentines, but her very tough rhetoric set off pent-up tensions and unhappiness in the urban middle class. A pro-CFK governor told the Ambassador later the same day that the President had made a major mistake in her intransigent stand rather than being firm but offering dialogue.

Comment: Back to the Brink

¶10. (C) On the morning after, the GOA remains intransigent, stating it will not negotiate with the strikers until the roads are cleared. CFK is carrying out a textbook Kirchner crisis response: demonizing the opposing force so that the rest of Argentina's centrifugal society does not coalesce around it in a way that threatens the Kirchners' hold on public opinion. This formula has worked like a charm for the first couple in the past, as they have set upon multinational

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companies, the IMF, and the Catholic Church to great domestic effect. The GOA also used this approach last December against the USG in its initial response to the announcement in Miami of charges against Venezuelan agents implicated in the "suitcase" case.

¶11. (C) This time, CFK is characterizing the striking farmers as wealthy, landed oligarchs seeking to profit at poor working Argentines' expense. The Casa Rosada is counting on its base support among the poor and working class in urban areas to win the public relations war. But the effect of CFK's class-war rhetoric was diminished by the designer threads she wore as she delivered the speech, which may have reminded viewers that the Kirchners have become millionaires during the last few years of their public service.

¶12. (C) More troubling for the Kirchners and their small brain trust is the immediate, spontaneous support that CFK's speech unintentionally elicited from the urban middle class. This unexpected reaction suggests that the Kirchner playbook may have backfired, as the government now finds itself in a two-front struggle involving town and country. The GOA now must find a way to contain urban discontent while it struggles to deal with the challenge in the countryside. This is by no means impossible -- the concerns of last night's urban protestors (e.g., public security, inflation,

corruption) are quite different from those of the striking farmers, and support for the farmers may decline as urban carnivores confront the prospect of meatless diets. However, last night's sporadic but well-documented violence by government-supporting street thugs against peaceful protestors does not appear to be the most effective way to reduce public support for the rural protests.

WAYNE